

Message Text

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AMCONSUL QUEBEC

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SUBJ: QUEBEC - AN INVESTMENT SAFE HAVEN?

1. SUMMARY: MANY OF RECENT STATEMENTS BY NEW PQ GOVERNMENT HAVE BEEN AIMED AT REASSURING BUSINESS COMMUNITY, PARTICULARLY IN WAKE OF DOLLAR DECLINE AND SEVERAL RECENT NEWSPAPER ARTICLES WHICH PQ CONSIDERS HAVE MISREPRESENTED ITS ECONOMIC INTENTIONS. OVER WEEK-END, PREMIER LEVESQUE RESPONDED TO CRITICISM BY SAYING THAT PQ WAS NOT ON RAMPAGE TO NATIONALIZE EVERYTHING AND THAT SUCH ACCUSATIONS WERE "CRAPPY" AS SORT OF PREJUDGMENT OF HIS GOVERNMENT. IT IS MINISTER OF INDUSTRY, RODRIGUE TREMBLAY, HOWEVER WHO HAS BEEN MAJOR SPOKESMAN FOR PQ PUBLICITY CAMPAIGN. TREMBLAY HAS SAID THAT THERE WILL BE NO FINANCIAL RISK TO INVESTMENT IN QUEBEC, THAT THERE WILL BE NO NATIONALIZATION, AND THAT INVESTMENTS IN QUEBEC WILL BE GUARANTEED. WHILE TREMBLAY'S STATEMENTS SUGGEST THAT PQ HAS PROGRAM TO ENSURE SANCTITY OF INVESTMENTS, THIS IS NOT THE CASE, AS SENIOR MINISTRY OFFICIAL TOLD CONSULATE THAT STATEMENTS AT THIS POINT ARE MAINLY DESIGNED TO OFFSET RECENT BAD PUBLICITY. WHILE TREMBLAY IS SAYING THE RIGHT THINGS, SOME INFORMED MEMBERS OF BUSINESS COMMUNITY NEVERTHELESS FIND HIS ACTIONS DISQUIETING, AS APPROACH TO DATE APPEARS DISJOINTED. END SUMMARY.

2. PERHAPS MOST VISIBLE OF NEW PQ CABINET HAS BEEN RODRIGUE TREMBLAY, MINISTER OF INDUSTRY, WHO APPEARS TO HAVE TAKEN ON TASK

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OF REASSURING BUSINESS COMMUNITY THAT PQ ADMINISTRATION IS NOT AS

"CASTRO-LIKE" AS BARRONS, FOR ONE, WOULD LEAD ITS READERS TO BELIEVE. WITHIN LAST WEEK TREMBLAY HAS APPEARED ON TELEVISION, SPOKEN ON RADIO, AND GIVEN SEVERAL PRESS INTERVIEWS. AMONG STATEMENTS HE HAS MADE, SEVERAL HAVE CAUGHT OUR EYE.

3. SPEAKING ON RADIO, TREMBLAY SAID THAT PARTI QUEBECOIS IS NOT A SOCIALIST GOVERNMENT, BUT RATHER A SOCIAL DEMOCRATIC GOVERNMENT AS IN SWEDEN, WHERE 95 O/O OF INDUSTRIES ARE PRIVATELY-OWNED. TREMBLAY SAID NOT ONLY THAT THERE WILL NOT BE WIDESPREAD NATIONALIZATION OF INDUSTRY UNDER PQ, BUT THAT THERE WILL BE NO FINANCIAL RISK ATTACHED TO INVESTMENTS IN QUEBEC, AND THAT "ANY INVESTMENTS MADE IN QUEBEC FOR NEXT 25 YEARS ARE GOING TO BE GUARANTEED."

4. AS STATEMENTS ABOUT NO FINANCIAL RISK, AND ABOUT GUARANTEES OF INVESTMENT OVER 25 YEAR PERIOD ARE INDEED OF INTEREST TO POTENTIAL INVESTORS, CONSULATE CHECKED WITH DEPUTY MINISTER OF INDUSTRY JOHN DINSMORE TO FIND OUT WHAT TREMBLAY HAD IN MIND. DINSMORE, A CAREER CIVIL SERVANT, WHO IS ONE OF FEW ANGLOPHONES - ALBEIT BILINGUAL - IN QUEBEC PROVINCIAL GOVERNMENT, SAID THAT PQ TO DATE HAD NO SPECIFIC PROGRAMS IN MIND AND THAT THERE WAS NO INVESTMENT GUARANTY PROJECT AS SUCH UNDER DEVELOPMENT. DINSMORE SAID THAT TREMBLAY WAS ONLY TRYING TO INDICATE BY HIS STATEMENTS THAT BUSINESS ENVIRONMENT IN QUEBEC HAD NOT CHANGED SINCE PQ VICTORY, AND THAT THERE WERE NO NEW RISKS TO INVESTMENT AS A RESULT OF ELECTION. DINSMORE THOUGHT TREMBLAY WAS ONLY TRYING TO PUT THINGS IN MORE REALISTIC PERSPECTIVE IN ORDER TO OFFSET SOME OF MORE IMMODERATE PRESS ACCOUNTS, SUCH AS BARRONS ARTICLE, ABOUT WHAT ONE COULD EXPECT FROM PQ GOVERNMENT. (IN HIS ZEAL, TREMBLAY APPEARS, HOWEVER, TO HAVE OFFERED MORE THAN PQ IS READY TO DELIVER.)

5. WITH REGARD TO NATIONALIZATION, DINSMORE SAID THAT TREMBLAY HAD GIVEN INTERVIEW TO NEW YORK TIMES FRIDAY AFTERNOON IN WHICH HE REPORTEDLY SAID THAT NATIONALIZATION WAS NOT PART OF PQ PLATFORM. WHEN ASKED ABOUT ASBESTOS INDUSTRY, WHERE PQ IS ON RECORD AS FAVORING TAKEOVER AND WHERE U.S. COMPANIES HOLD PREDOMINANT INTERESTS, DINSMORE DID NOT BELIEVE, EVEN IN THIS CASE, THAT NATIONALIZATION WOULD BE A PROBLEM. DESPITE REPORTS TO THE CONTRARY, NATIONALIZATION OF THE ASBESTOS INDUSTRY WAS NOT, DINSMORE THOUGHT, A PRIORITY OF THE PQ. PQ'S CONCERN WAS RATHER ONE OF SAFETY AND OF WORKING OUT SYSTEM WHERE DOWNSTREAM LIMITED OFFICIAL USE

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CONVERSIONS WOULD TAKE PLACE IN QUEBEC RATHER THAN ABROAD, AS IS NOW THE CASE. DINSMORE THEREFORE THOUGHT, AND HE SAID HE IS WORKING HARD TO ENSURE THAT THIS WOULD BE THE CASE, THAT THERE WOULD BE NO BLANKET NATIONALIZATION IN THE ASBESTOS INDUSTRY. HE SAID THAT IT WAS HIGHLY LIKELY, HOWEVER, THAT PQ WOULD INSIST UPON EQUITY PARTICIPATION IN ANY NEW VENTURES IN ASBESTOS INDUSTRY. (NOTE: DINSMORE'S APPRAISAL OF WHAT MAY BE IN STORE FOR ASBESTOS INDUSTRY IS DIFFICULT TO RECONCILE WITH STATEMENTS OF PREMIER

LEVESQUE WHO REPEATED OVER WEEKEND A CAMPAIGN PLEDGE TO NATIONALIZE ASBESTOS INDUSTRY "AS SOON AS STUDIES ARE COMPLETED AND AS SOON AS WE KNOW WE CAN AFFORD IT." LEVESQUE'S STATEMENTS CERTAINLY APPEAR TO SUGGEST DEEPER COMMITMENT TO MAJOR NATIONALIZATION EFFORT THAN DINSMORE HAS INDICATED.)

6. AS TO FUTURE INDUSTRIAL POLICY, DINSMORE SAID THAT PQ WOULD DEVELOP POLICIES TO FAVOR MEDIUM AND SMALL INDUSTRY, AS OPPOSED TO LARGE INDUSTRY. LARGE INDUSTRY WOULD STILL BE WELCOME, HE SAID, BUT IT WOULD HAVE TO WORK WITHIN THE CONTEXT OF PROGRAMS DESIGNED TO FAVOR SMALLER CONCERNS, RATHER THAN SEEKING SPECIAL ASSISTANCE AND SUBSIDIES FROM THE GOVERNMENT.

7. WE HAD EARLIER REPORTED THAT TREMBLAY IS ALSO PROMOTING IDEA OF CANADA'S FIRST FREE TRADEZONE TO BE ESTABLISHED IN NEW INDUSTRIAL PARK NEAR MIRABEL INTERNATIONAL AIRPORT. (SEE MONTREAL 1866). DINSMORE SAID THAT GOVERNMENT IN PAST HAD LOOKED INTO FEASIBILITY OF FREE TRADE ZONES, BUT HAD FOUND THAT MOST OF ADVANTAGES NORMALLY ATTRIBUTED TO FREE TRADE ZONES WOULD NOT BE RELEVANT IN CANADIAN CASE, SINCE DUTY DRAWBACK SYSTEM ASSURED 80-90 O/O REBATE ON RE-EXPORTED ITEMS ANYHOW. DINSMORE RECOGNIZED, HOWEVER, THAT FREE TRADE ZONE MIGHT NEVERTHELESS HAVE SOME MERIT AS IT MIGHT BE EASIER TO ADMINISTER THAN PRESENT REBATE SYSTEM. HE SAID TREMBLAY'S EFFORTS AT MOMENT ARE CONCENTRATED ON FIRST OBTAINING MILLION DOLLAR APPROPRIATION FOR WORK ON MIRABEL'S INDUSTRIAL PARK. DINSMORE COMMENTED THAT LIBERALS HAD BEEN WORKING HARD ON PROJECT BEFORE THEIR DEFEAT, AND THAT TREMBLAY SHOULD BE ABLE TO CAPITALIZE ON MOMENTUM THAT HAD BEEN BUILT UP. WITH REGARD TO POSSIBILITY OF CONSTITUTIONAL CONFRONTATION DISCUSSED IN REFTTEL, DINSMORE THOUGHT THIS COULD BE AVOIDED SINCE GROUND ON WHICH FREE TRADE ZONE WOULD BE LOCATED BELONGED TO THE FEDERAL GOVERNMENT. IF OTTAWA WERE WILLING TO GO ALONG WITH IDEA OF FREE TRADE ZONE, HE THEREFORE THOUGHT CONSTITUTIONAL ISSUE COULD BE LIMITED OFFICIAL USE

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SKIRTED THROUGH GROUND OWNERSHIP GAMBIT.

8. FINALLY, TREMBLAY HAS SAID THAT HE HAS RECEIVED ASSURANCES FROM REPRESENTATIVES OF QUEBEC'S MAJOR LABOR UNIONS THAT THEY ARE READY TO COOPERATE WITH NEW GOVERNMENT AND THAT LABOR CLIMATE WILL IMPROVE TREMENDOUSLY IN QUEBEC OVER NEXT THREE YEARS. DINSMORE THOUGHT THIS COULD BE ONE OF REAL ACCOMPLISHMENTS OF PQ GOVERNMENT, BUT HE SAID THERE WAS CONCERN THAT PQ MIGHT OVER COMMIT ITSELF TOO SOON TO UNION LEADERS, "WHO AFTER ALL HAVE MIND OF THEIR OWN AND KNOW ONLY TOO WELL HOW TO CAPITALIZE ON POLITICAL SITUATION."

9. COMMENT: CONSULATE IS AWARE OF SOME CONCERN OVER MANNER IN WHICH NEW MINISTERS ARE MAKING STATEMENTS, WITHOUT APPEARANCE OF ADMINISTRATION COORDINATION. AS A MATTER OF FACT, SOME OF MORE

INFORMED MEMBERS OF BUSINESS COMMUNITY HAVE FOUND TREMBLAY'S STATEMENTS DISQUIETING, AS HELTER-SKELTER APPROACH EVOKES IMAGES TO SOME EXTENT OF UNGUIDED MISSILE. IN THIS CONNECTION, DINSMORE SAID MINISTRY WAS WORKING TO PLACE TREMBLAY AS SOON AS POSSIBLE ON SUITABLE PUBLIC PODIUM, PREFERABLY IN TORONTO, WHERE HE COULD MAKE "COHERENT PUBLIC DECLARATION" PROVIDING OVERVIEW OF QUEBEC INVESTMENT ENVIRONMENT.
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